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Message Text

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15
ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 TRSE-00 OMB-01 /025 W
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P 161121Z MAR 76
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 6372
USDOC WASHDC PRIORITY

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PASS TO EXPORT-IMPORT BANK FOR MR. KAISER

USDCO FOR MEPD

E.O. 11652: N/A
TAGS: BEXP, PO
SUBJ: EXPORT-IMPORT BANK LOAN (4612) TO COMPANHIA
PORTUGUESA DE CELULOSA (CPC)

REF: (A) EXPORT-IMPORT BANK TELEX DATED FEB. 23,
(B) LISBON 1643

1. DR. JOSE VINAGRE, ADMINISTRATOR OF COMPANHIA PORTUGUESA DE CELULOSA (CPC) APPROACHED EMBASSY FOR ASSISTANCE IN CONNECTION WITH EX-IM/FIRST NATIONAL CITY BANK LOAN 4612 TO HIS FIRM. ACCORDING TO VINAGRE, SITUATION IS AS FOLLOWS:

2. LOAN, WHICH WAS GRANTED IN 1973, TOTALLY DISBURSED EXCEPT FOR $892,334. DISBURSEMENT OF THE REMAINDER FROZEN BY FIRST NATIONAL CITY BANK IN SUMMER 1975 DUE TO NATIONALIZATION OF CPC AND GENERAL INSTABILITY IN PULP AND PAPER SECTOR. OUTSTANDING CREDIT AMOUNT NECESSARY TO PURCHASE BOILER AND S.V.P. SYSTEM FROM COMBUSTIAN ENGINEERING OF CONNECTICUT AND A.H. LUNDBERG OF WASHINGTON, AND THEN FINISH PROJECT.

3. FIRST NATIONAL CITY BANK STATES IT IS WILLING UNFREEZE DUSBURSEMENT ONCE FOLLOWING THREE AMENDMENTS TO LOAN AGREE-
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MENT ARE APPROVED:

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A) DISBURSEMENT PERIOD MUST BE LENGTHENED BY ONE YEAR.
B) CERTAIN FINANCIAL DATA ON CPC AND PROJECT MUST BE SUPPLIED.
C) CPC MUST OBTAIN FINANCIAL GUARANTEE FROM PORTUGUESE BANK.

AMENDMENTS A AND B PRESENT NO PROBLEM. WITH REGARD TO C, BANCO PINTO SOTTO-MAYOR HAS GIVEN GUARANTEE BUT IT MUST BE APPROVED BY BANK OF PORTUGAL. APPROVAL PROCESS COULD TAKE UP TO ONE MONTH.

4. ACCORDING VINAGRE, EX-IM STATES THAT IT WILL APPROVE DISBURSEMENT ONCE FIRST NATIONAL CITY AGREES AND CERTAIN REQUIREMENTS OUTLINED IN EX-IM TELEX OF FEBRUARY 23 (REF A), ARE MET. VINAGRE STATES REQUIREMENTS 1, 2, 5 AND 6 WILL BE MET BY SENDING DATA TO EX-IM. REQUIREMENT 3 (BALANCE SHEET) IMPOSSIBLE TO MEET BECAUSE 1975 CPC BALANCE SHEET NOT YET PREPARED. VINAGRE SAYS FINAL BALANCE SHEET WILL BE READY IN APRIL. VINAGRE MAINTAINS THAT REQUIREMENT 4 SATISFIED BY DECREE LAW NO. 132-A/75 OF MARCH 14, 1975 (SEE REFTEL B).
COMMENT THIS REQUIREMENT IS EXPECTED TO BE COVERED DURING EX-IM/SALGADO ZENHA MEETING ON MARCH 18. END COMMENT.

5. ACCORDING VINAGRE, URGENCY IS REQUIRED BECAUSE SUPPLIERS NOW THREATENING TO INCREASE PRICE BECAUSE OF ESCALATION OF THEIR COSTS. EMBASSY TELEXING COMBUSTION AND LUNDBERG NOTING CPC AND GOP ARE ATTEMPTING MEET REQUIREMENTS FOR REOPENING OF CREDIT.

6. COMMENT: ONCE BELOW CONDITIONS AND PROCEDURES ARE MET, EMBASSY RECOMMENDS THAT EX-IM REOPEN CREDIT FOR REMAINING $892,334 FOR PURCHASE OF U.S. EXPORTS.

A) ALL REQUIREMENTS OF FIRST NATIONAL CITY BANK ARE SATISFIED.
B) REQUIREMENTS 1, 2, 5 AND 6 TO EX-IM BANK ARE SATISFIED.
C) MINISTER OF FINANCE OR BANK OF PORTUGAL HAVE PRO-
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VIDED DOCUMENT OR EQUIVALENT STATEMENT TO SATISFY REQUIREMENT 3.
CARLUCCI

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